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RUEHAH/AMEMBASSY ASHGABAT 3928  
RUEHTA/AMEMBASSY ASTANA 0141  
RUEHEK/AMEMBASSY BISHKEK 4543  
RUEHLM/AMEMBASSY COLOMBO 0408  
RUEHKA/AMEMBASSY DHAKA 0363  
RUEHDBU/AMEMBASSY DUSHANBE 0421  
RUEHIL/AMEMBASSY ISLAMABAD 4135  
RUEHBUL/AMEMBASSY KABUL 2409  
RUEHKT/AMEMBASSY KATHMANDU 0447  
RUEHNE/AMEMBASSY NEW DELHI 1080  
RUEHUM/AMEMBASSY ULAANBAATAR 0107  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHBS/USEU BRUSSELS  
RUEHGV/USMISSION GENEVA 1140  
RUEHVEN/USMISSION USOSCE 2457  
RHEFDIA/DIA WASHDC  
RHEHNSC/NSC WASHINGTON DC  
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 TASHKENT 000493

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DEPT FOR INL ANDREW BUHLER  
MOSCOW FOR TREASURY KEVIN WHELAN  
DEPT OF TREASURY FOR DAVID TEITELBAUM AND ANNE WALLWORK  
DOJ/OPDAT FOR CATHERINE NEWCOMBE

E.O. 12958: DECL: 04/28/2018  
TAGS: [PGOV](#) [KCRM](#) [ASEC](#) [PREL](#) [ECON](#) [KCOR](#) [PINR](#) [UZ](#)  
SUBJECT: CENTRAL BANK ON MONEY LAUNDERING ISSUES

REF: 07 TASHKENT 1922

Classified By: Political Officer Tim Buckley for reasons 1.4 (B,D)

Summary:  
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1. (C) On April 23 emboffs met with Alisher Akmalov, Deputy Chairman of the Central Bank, to discuss the anti-money laundering regime in Uzbekistan. Akmalov initially presented the typical explanation of Uzbekistan's anti-money laundering regime. Clearly aware of the international perceptions, he was at pains to point to the limited scope of the recent anonymity provisions, even delicately suggesting they were intended for a very limited audience of wealthy Uzbeks. He underscored that transactions are still being screened through an Uzbek interagency body to prevent terror finance and narcotics laundering. He also said the previous suspension of Uzbekistan's anti-money laundering legislation might be shortened from the current 2013 target date.

2. (C) Akmalov visibly winced when we explained the U.S. Patriot Act's 311 provision. We underscored that the U.S. is looking to the Eurasian Group (EAG) and the Financial Action Task Force (FATF) and that Uzbekistan needs to satisfy those bodies. Akmalov agreed but also renewed offers to send experts to Washington immediately to answer any questions. He noted that Uzbekistan will soon issue a major press release it hopes will ease concerns ahead of June's EAG visit. End summary.

Press Release Forthcoming  
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3. (C) Emboffs met with Akmalov on April 23 to seek the

Central Bank of Uzbekistan's views about recent international advisories related to a series of Presidential decrees that undermined the anti-money laundering regime (reftel). Akmalov confirmed that the Government of Uzbekistan is aware of the February 28 FATF advisory to its 46 member states as well as the subsequent U.S. Financial Crimes Enforcement Network (FINCEN) advisory and the potentially serious consequences. Akmalov noted that the Central Bank has met with numerous foreign banks to discuss the issue, including American banks, and said the bankers were satisfied by the government's strict measures. (Note: We have also been talking with the banks' Tashkent-based representatives, who told us that existing bank scrutiny standards for transactions already exceed legal requirements. Nonetheless, banks have stepped up their level of caution per the advisories but are concerned about the potential impact of sanctions beyond the existing advisory, which one executive likened to "killing a moth with a bazooka." End note.) Akmalov said that a major press release will be issued in the near future pertaining to Uzbekistan's anti-money laundering policies, which he hopes "will alleviate the concerns" of the international community.

#### Strict Policies Already in Place

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¶4. (C) Akmalov restated the Government of Uzbekistan's position that there are very strict policies already in place and that all suspicious transactions are thoroughly scrutinized by the tax authorities and the National Security Service (NSS). (Comment: This is true. This is a police state in which everything is scrutinized, especially when

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money, drugs, or counter-terrorism is potentially involved. End Comment.) Akmalov also cited a 2003 resolution of the Cabinet of Ministers which requires all suspicious transactions to be reported to the proper authorities, which he said has been done on a daily basis even before the 2006 anti-money laundering law.

¶5. (C) As for the anti-money laundering law, Akmalov toed the government line that the law is still in place but that some elements were suspended until 2013. The stated rationale for the suspension was to give the financial intelligence unit (FIU) more time to develop effective techniques, as cumbersome initial reviews of transactions allegedly brought the Uzbek financial system to a halt. Emboffs reminded Akmalov that the international community, through entities such as the EAG and FATF, are unlikely to accept these reasons. Akmalov said he remained confident that he and representatives of other government entities will be able to convince the EAG about its strong anti-money laundering protections during its upcoming assessment visit in June.

#### "No Good Deed Goes Unpunished"

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¶6. (C) In addition to defending Uzbekistan's performance on anti-money laundering, Akmalov complained that Uzbekistan is feeling the heat of criticism even though the other Central Asian countries lag far behind. Kazakhstan, he noted, has not even passed an anti-money laundering law despite having more robust financial activities. Likewise, he claimed Tajikistan and Turkmenistan have not done as much as Uzbekistan. Kyrgyzstan does have a law, he said, but did not establish a financial intelligence unit to effectively implement it. He cited a proverb noting that one who does more work makes more mistakes, and he believes Uzbekistan is being punished despite being more proactive than its neighbors. Emboffs assured him the EAG was aware of these deficiencies (as he knows).

Ready to Meet

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17. (C) Akmalov visibly winced when we explained the U.S. Patriot Act's 311 provision and the despondent reaction of bankers with whom we had discussed this possibility. He stated several times that the Central Bank is prepared to meet in person with appropriate U.S. Government officials, either in Tashkent or Washington. He believes that "a detailed discussion among specialists will allow us to clear up this misunderstanding." Sevil Hidirova, the Central Bank's Head of the International Protocol Division, told us a steady procession of visitors -- the International Monetary Fund (IMF), World Bank, foreign embassies, and commercial bankers -- have visited in recent weeks, to discuss the FATF announcement and related concerns. (Comment: Akmalov would only have offered to visit Washington on this issue with prior authorization and, although the Uzbek arguments will not likely change, we support the opportunity for such a visit. End comment.)

"Few" Uzbeks Have Large Accounts  
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18. (C) Akmalov initially sidestepped direct questions about the reasons behind the 2007 suspension of the key elements of the anti-money laundering law as well as for the 2008 changes that increased the secrecy of bank transactions from foreign

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accounts. He noted that the procedural changes on bank secrecy are aimed at individual citizens and thus would not impact corporate banking. He returned then to the question of motives, delicately suggesting that the law was intended for the benefit of only a small number of wealthy Uzbeks. (Comment: This refreshingly honest remark directly contradicted his and others' repeated assertions that the law was intended to encourage Uzbeks to move their money from the mattress to the bank. It is still not clear to us, however, whether this "mattress to bank" argument, which ties into misguided Government of Uzbekistan anti-inflationary policy, was actually a partial cause for the anonymity decree. Our guess is it may have been a useful excuse for some who wanted the decree. End comment.)

Reconsideration of 2013 Suspension End Date?  
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19. (C) At the end of the meeting Akmalov returned to the subject of the 2007 Presidential decree that suspended the key elements of the anti-money laundering law. He carefully stated that "in my opinion I think there will be a review of the decision" that suspended the provisions into 2013. As a result, he suggested the Government of Uzbekistan could reinstate the suspended provisions at an earlier (unspecified) date.

Comment:  
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110. (C) Akmalov's carefully crafted hints suggest that the Government of Uzbekistan is feeling the mounting international pressure concerning its tattered anti-money laundering regime. Issuing a press release and meeting extensively about the issue may not win over experts, but the Uzbeks are feeling the criticism and looking to buy time. Restoring the provisions of its 2006 law would be a major step in the right direction.

111. (C) At the end of the day, the regulatory framework needs to be consistent with the international obligations Uzbekistan previously accepted, and the government knows this. In the meantime, Akmalov's between-the-lines commentary suggests that elites will use the quirks in the system to their financial advantage as they move to secure their assets. Yet we also believe that Uzbekistan, which has suffered from terrorist attacks and remains paranoid, will exercise its brand of stifling control to restrict terrorist finance.

